

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/08

SPONSOR Trujillo LAST UPDATED _____ HB 258

SHORT TITLE Child Daycare Gross Receipts Tax Credit SB _____

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	(876.9)	(945.8)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Children, Youth and Families Department (CYFD)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 258 creates a new gross receipts tax credit for the state share of gross receipts tax due on all taxable gross receipts of child daycare providers licensed by CYFD. The state gross receipts tax rate is 5 percent in unincorporated areas and 3.775 percent in municipalities.

The provisions of the bill will be effective on July 1, 2008.

FISCAL IMPLICATIONS

TRD estimates that taxable gross receipts totaling \$22.6 million will be eligible for the proposed credit in FY09. About 91 percent of that tax base will be in municipalities and the remaining 9 percent will be in unincorporated areas. Taxed at 3.775 percent in municipalities and 5 percent in counties, the proposed credit is expected to reduce general fund gross receipts tax revenue by \$876.9 thousand in FY09. Claims for the credit are expected to grow by 7.9 percent per year, based on growth in that tax base from FY06 to FY07.

SIGNIFICANT ISSUES

The proposed credit will apply to licensed child care providers but not registered child care providers.

CYFD reports that under current regulations, child care providers are authorized pass gross receipts tax liability on to clients. Therefore, the credit could result in lower costs to consumers for child daycare. CYFD also indicates that the proposal could increase child daycare access.

LFC notes that while individual credits, deductions and exemptions from the gross receipts tax may have small fiscal impacts, their cumulative effect significantly narrows the gross receipts tax base. Narrowing the gross receipts tax base increases revenue volatility and requires a higher tax rate to generate the same amount of revenue.

ADMINISTRATIVE IMPLICATIONS

TRD will experience some cost in administering the credit due to processing credit claims.

SS/mt